8 OFFICE OCCUPANCY PATTERNS

Office Occupancy Study for the Central Area of the City of Toronto

Cityplan '91

City of Toronto
Planning & Development Department

Robert E. Millward
Commissioner

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Prepared for the City of Toronto Planning and Development Department by:
Royal LePage
Commercial Real Estate Services
Real Estate Consulting Services
33 Yonge Street
Toronto, Ontario M5E 1S9

For further information please contact Steve Dynes at 392-7358 Policy and Strategic Planning Division, City of Toronto, Planning and Development Department.

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TABLE OF CONTENTS

		Page
LIST OF EXHIBITS		ii
EXECUTIVE SUMMARY		iii
SECTION 1 - BACKGROUND		1
1.1	Terms of Reference	2
1.1.1	Phase I	2
1.1.2	Phase II	3
1.1.3	Phase III	3
SECTION 2 - ANALYSIS OF TENANT PROFILE DATA		5
2.1	Introduction	5
2.1.1	Relocations with the Central Area	5
2.1.2	Further Analysis of Relocations Within the Central Area	6
2.1.3	Analysis of Tenant Profile Data by Business Activity	7
2.1.4	Employee and Office Space Patterns	8
2.1.5	Analysis of Current and Previous Rental Rates	8
2.2	Reasons for Relocating	9
2.2.1	Reasons for Relocating According to Business Activity	10
SECTION 3 - VACANCY LEVEL IN FORMER PREMISES		11
3.1	Introduction	11
SECTION 4 - HISTORIC AND PROJECTED OFFICE OCCUPANCY PATTERNS		13
4.1	Introduction	13
4.2	An Overview of Historic Economic and Office Market Conditions	13
4.3	Historic Office Supply and Demand Relationships	16
4.4	Projected Central Area Office Supply and Demand	18
4.4.1	Economic and Real Estate Factors Influencing Projected Supply and Demand	18
4.4.2	Projected Supply and Demand	19
4.4.3	Impact on Class "A" Office Completions and Corresponding Demands on the Municipal Infrastructure	20
4.4.4	Impact on Class "B" and Class "C" Vacancy	21
4.4.4.1	Introduction	21
4.4.4.2	Projected Demand for Currently Existing Office Space	22
4.4.4.3	Projected Supply and Vacancy for Currently Existing Office Space	23

LIST OF EXHIBITS

		Facing or Following Page No.
EXHIBIT 1:	Standard Tenant Data Form	2
EXHIBIT 2:	Map of the Central Area	5
EXHIBIT 3:	Buildings Surveyed, Central Area	5
EXHIBIT 4:	Tenant Profile Data	6
EXHIBIT 5:	Tenant Relocations Within the Central Area	7
EXHIBIT 6:	Employment and Floor Space Data	7
EXHIBIT 7:	Breakdown of Two Largest Business Activities, Central Area	7
EXHIBIT 8:	Tenant Relocations From Outside the Central Area	8
EXHIBIT 9:	Floor Area Characteristics of Tenant Survey	8
EXHIBIT 10:	Rental Rates According to Quality of Former Office Premises, Central Area	9
EXHIBIT 11:	Reasons for Relocating	10
EXHIBIT 12:	Business Activity Correlated With Reasons for Relocating, Central Area	10
EXHIBIT 13:	Central Area Office Market Statistics	13
EXHIBIT 14:	Central Area Historic Supply and Demand	14
EXHIBIT 15:	Historic Office Market and Economic Indicators	15
EXHIBIT 16:	Historic Office Completions and Absorption, Central Area	16
EXHIBIT 17:	Central Area Historic and Projected Supply and Demand	18
EXHIBIT 18:	Breakdown of Projected Absorption Central Area	22
EXHIBIT 19:	Projected Vacancy and Absorption in Existing Class "A", "B" and "C" Office Space	23

EXECUTIVE SUMMARY

BACKGROUND

The Planning and Development Department of the City of Toronto had commissioned the Real Estate Consulting Services group of Royal LePage Commercial Real Estate Services to complete a detailed study of office occupancy patterns within Toronto's Central Area. The ability of planning staff to predict the likely impact of new office construction on office employment levels and resulting commuting flows is extremely important. Towards this end, the Department wished to develop a better appreciation of the dynamics of tenant relocation patterns within the Central Area.

A significant proportion of tenants occupying space in newly constructed buildings within the Central Area leased space in another Central Area property prior to relocation. In these instances, the rising occupancy of newly constructed office space was likely accompanied by a corresponding short-term decrease in occupancy levels in older buildings within the Central Area. The Planning and Development Department staff would like to develop a better understanding of the extent to which this form of occupancy transfer has, in fact, occurred and its overall impact on occupancy levels within the existing stock of office space in the Central Area.

ANALYSIS OF TENANT PROFILE DATA

A total of 141 tenants were surveyed from the initial sample of 10 buildings. These tenants currently occupy 3,695,000 square feet of newly constructed office space. The tenants previously occupied 1,676,000 square feet within their former premises.

Relocations with the Central Area

Approximately 43% of the new building space (in the 10 building sample) represents the replacement of existing (i.e. former) space. A further 39% of this new space is expansion space. Only 16% was let to new tenants. The majority (65%) of space in the surveyed buildings is occupied by tenants who relocated from slightly older Class "A" buildings. The minority of tenants (22.9%) have relocated from Class "B" office buildings; they now occupy 31.1% of the office space in our sample.

In summary, the majority of the leasing activity within these buildings stems from the replacement of existing premises. Hence, while the tenants surveyed moved into 3.7 million square feet of office space, they vacated 1.7 million square feet of office space resulting in a net absorption of 2.0 million square feet. This clearly indicates that additions to new supply do not immediately translate to an equivalent amount of net office absorption. Furthermore, it is evident that new office completions do not immediately result in new (additional) office employment, but rather result in a transfer of employees from one Central Area locale to another.

Analysis of Tenant Profile Data by Business Activity

Information on the nature of the "Business Activity" of each surveyed tenant was co-related to the number of employees, rentable area occupied (and other survey data) in order to identify trends. We concluded that the majority of tenants (49%) are involved in finance, insurance and real estate activities. The second largest group of tenants (33%) provide business services (including legal, accounting, management, consulting, computing and other assorted business services). These two groups together account for 82% of the tenant sample. The average occupied office area per employee is 300 square feet.

Reasons for Relocating

Approximately half (47.4%) of the tenants surveyed have relocated because their business is expanding. The second most popular reason (27.6% of tenants surveyed) for moving is to upgrade the quality of office premises. Most organizations generally have more than one reason for relocating. Approximately 63% of the tenants relocated because they also wished to upgrade the quality of their office premises (aside from their primary reason for moving).

Most of the companies which have recently expanded and upgraded their office premises are "professional" business organizations (such as law firms or management consulting groups), which operationally require a downtown location. Our survey also confirms our perception that the majority of office demand stems from the expansion or upgrading of office premises by firms which provide business services or firms which are generally active in finance, insurance, real estate.

Vacancy Level in Former Premises

We have previously determined that a majority (77.3%) of the tenants surveyed relocated from within the Central Area, leaving a substantial amount of vacant space within existing Central Area buildings. We then ascertained how long this vacated space remained vacant.

Our total sample of tenants includes 141 organizations. However, information on the vacancy created in a tenant's former premises was available for only 47 tenants. The 47 firms currently occupy 1,700,000 square feet of office space and formerly occupied 963,000 square feet of office area at their prior location. The average length of vacancy of the vacated office space was approximately 3 months. This short (3-month) average duration of vacancy is the product of a tight landlord's market. This average duration of vacancy could easily double or triple over the next several years, as the office market becomes increasingly oversupplied.

HISTORIC AND PROJECTED OFFICE OCCUPANCY PATTERNS

The Relationship Between Office Building Completions and Net Absorption

There are a variety of factors which affect the supply of, and demand for, office space. These include both economic considerations (inflation, interest rates and GNP growth), and real estate market factors (office building completions, net absorption and vacancies). These economic and market factors are intertwined, and cannot be examined in isolation. Hence, it is falacious to assume that the construction of new office space, or the potential to construct new office space (based upon current vacant land vailability and zoning), will result in an equivalent amount of demand (net absorption) for new office space, and corresponding needs for the municipal infrastructure.

Rather, net office space absorption (which is a truer indication of office space demand) increases during periods of strong economic growth and leasing activity and declines during periods of weak economic growth and leasing activity. As we will later demonstrate in this summary, we are entering a period of substantial office building completions and relatively reduced office leasing activity, such that net office space absorption will likely be much lower than the rate of new office building completions. This will likely result in a much lower extent of demand on municipal infrastructure than previously anticipated.

The Relationship Between Class "A" and "B" Office Space Supply and Demand

We have previously demonstrated (through our survey) that there is generally a significant amount of tenant relocation from Class "B" to Class "A" office buildings. This particularly occurs during periods of weak demand, wherein office building developers offer reduced rental rates and/or substantial financial incentives ("tenant inducements") to entice Class "B" tenants into new Class "A" office space. The converse of this trend can be found during periods of strong demand. During these periods, rents for Class "A" office space tend to increase to levels which are unaffordable for many tenants. During these "landlord's markets", many office tenants tend to seek lower cost alternatives in Class "B" and even Class "C" office space.

Conclusions

We have demonstrated, through both individual tenant surveys and a review of aggregate market statistics, that high levels of new office building completions translate to strong net absorption (and thereby to high demand for municipal infrastructure) during periods of buoyant economic growth and commensurately strong office leasing activity. Furthermore, it is evident that during periods of strong economic growth, office leasing activity and net absorption is strong in all classes of office space. Conversely, during periods of weak economic growth and lesser leasing activity, net absorption is weak; due to both lower overall demand for Class "A" office space and substantial relocations from Class "B" buildings. It therefore follows that the impact of new office building completions on municipal instructure will be lesser during periods of relatively weak economic growth and office demand, as might occur over the next several years.

PROJECTED CENTRAL AREA OFFICE SUPPLY AND DEMAND

Projected Supply and Demand for New Office Space

We have previously projected that stagnant economic conditions will cause office building developers to postpone projects, such that new office construction will likely amount to 4.0 million square feet in 1990, 5.0 million square feet in 1991, 3.1 million square feet in 1992, and 1.0 million square feet in 1993.

We project that net absorption will most likely amount to 1,200,000 square feet in 1990 (a 2.2% demand factor), 900,000 square feet in 1991 (a 1.6% demand factor), 1,700,000 square feet in 1992 (a 3.0% demand factor), and 2,300,000 square feet in 1993 (a 4.0% demand factor). As a result, we project that vacancy rates will most likely increase to 10.0% in 1990, 15.4% in 1991, 16.7% in 1992, and 14.6% in 1993.

In summary, despite anticipated deferrals of office building completions, projected vacancy levels will likely increase to the 15%-16% range during the 1991-1994 period. Hence, the office market will clearly be weighted in favour of the tenant, with limited rental rate growth and substantial tenant inducements required to lease space.

Impact on Class "A" Office Completions and Corresponding Demands on the Municipal Infrastructure

This will affect the projected supply of new Class "A" space, and its corresponding impact on the municipal infrastructure, in the following manner:

1. The extent of new Class "A" office completions will likely be much less than previously anticipated.

2. Net office space absorption will also be lower than previously anticipated; aggregate net office absorption will be substantially less than aggregate new completions.

3. The duration of lease-up of the "former" office space (which will be vacated by tenants of new Class "A" space) will be relatively lengthy, due to a comparative weakening in overall office demand and the movement of potential Class "B" tenants to Class "A" buildings, as enticed by substantial tenant inducements.

Given all of the above, the impact of projected office completions on the municipal infrastructure will be much lower than anticipated.

Impact on Class "B" and Class "C" Vacancy

We have previously forecast that an impending softening in the Central Area office market will cause a decline in Class "A" office rental rate growth and an increase in tenant inducements, thereby motivating Central Area Class "B" office tenants to relocate to Class "A" buildings. This will, in turn, increase the amount and duration of Class "B" vacancy.

It is hypothetically possible that this vacant Class "B" space will be rapidly filled by suburban tenants seeking inexpensive downtown space. We do not find this hypothesis to be plausible. Downtown and Suburban office tenants have widely different operational requirements. Hence, there is minimal movement of tenants between the Downtown and the Suburbs. As a result, we do not expect that much of the vacated downtown Class "B" space will be backfilled by former suburban Class "A" tenants.

Projected Demand for Currently Existing Office Space

The Central Area will likely experience substantial negative absorption in the office buildings which are currently existing today. Over the next five years, the Central Area will lose a cumulative total of 2.8 million square feet as tenants move out of existing office premises. The relatively high negative absorption figures are the result of an oversupplied office market where tenants will be upgrading their office premises and creating extended vacancies in their former office space.

Projected Supply and Vacancy of Currently Existing Office Space

The projected vacancy rate for the currently existing inventory of office space is projected to increase from 5.8% in 1990 to 16.6% in 1992 as a result of the static supply and the large negative absorption projected for the Central Area over the next five years.

As vacancy levels increase and the amount of occupied space decreases in currently existing office buildings, the number of employees working in currently existing office buildings will likely be reduced. This reduction of Central Area office employment will help mitigate the projected increase in office employment in newly constructed class "A" office premises. In turn, the demands placed on the municipal infrastructure will be increased by new employment in newly constructed office buildings but will be decreased by the reduction in employment in currently existing office premises.

SECTION 1 - BACKGROUND

The Planning and Development Department of the City of Toronto has commissioned the Real Estate Consulting Services group of Royal LePage Commercial Real Estate Services to complete a detailed study of office occupancy patterns within Toronto's Central Area. This analysis is one of a series of studies currently being undertaken in the completion of City Plan 91 - A New Official Plan for Toronto Central Area. Specifically, the ability of planning staff to predict the likely impact of new office construction on office employment levels and resulting commuting flows is extremely important. Towards this end, the Department would like to develop a better appreciation of the dynamics of tenant relocation patterns within the Central Area.

A significant proportion of tenants occupying space in newly constructed buildings within the Central Area leased space in another Central Area property prior to relocation. In these instances, the rising occupancy of newly constructed office space was likely accompanied by a corresponding short-term decrease in occupancy levels in older buildings within the Central Area. Over the long run, the vacated space within the older stock is "back filled" with new tenants. However, in the short run, much of this space remains temporarily vacant, undergoes renovation or is replaced. The Planning and Development Department staff would like to develop a better understanding of the extent to which this form of occupancy transfer has, in fact, occurred and its overall impact on occupancy levels within the existing stock of office space in the Central Area.

Given the above background, the Planning and Development Department have developed terms of reference for the study program, which is divided into three phases. Phase I involves an examination of the characteristics of tenants occupying a set of newly constructed office space within the Central Area and the determination of the extent to which new occupancies are the result of a relocation from another Central Area property.

EXHIBIT 1

STANDARD TENANT DATA FORM

Building No.: _____

Assessment Roll No.: _____

Building Name: _____

Building Address: _____

Total Rentable Area: _____ (Square Feet)

Building Class: _____ (A, B or C)

Building Completion Date: _____ (Year)

Tenant Name: _____

Tenant Rentable Area: _____ (Square Feet)

Tenant Occupancy Date: _____ (Month/Year)

Quoted Rental Rate: _____

Business Activity Code: _____

Number of Part-Time Employees: _____

Number of Full-Time Employees: _____

Reason for Moving: _____ _____ _____

(see Note A) Primary Secondary Tertiary

Former Tenant Location:

- Central Core Location? _____ (Y/N)
- Within Metropolitan Toronto? _____ (Y/N)
- Building Address _____
- Building Class _____ (A, B or C)
- Retrofitted Building? _____ (Y/N)
- Total Rentable Area _____
- Space Occupied _____ (Sq. Ft.)
- Quoted Rental Rate _____
- Disposition of Former Space _____ _____
  (See Note B) Primary Secondary
- If Space Vacant, Number of Months Require to Lease/Sublease _____

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Phase II involves the determination of the impact of these moves on occupancy levels at the former location. Phase III of the study includes a review of overall market trends in the Central Area, in respect of changes in supply and demand since 1980, with an assessment of the overall impact of new office occupancies on the occupancy/vacancy rate of existing buildings.

1.1 TERMS OF REFERENCE

The terms of reference for this study were established in correspondence between Mr. Julian Colman, Senior Consultant of Royal LePage, Real Estate Consulting Services and Mr. Steve Dynes, Manager, Research and Information Section, City of Toronto Planning & Development Department on November 8th, 1989 (see Appendix 1).

Given the proceeding background, and the terms of reference submitted by the City of Toronto Planning and Development Department, the overall goal of the study program was as follows:

> *"To provide planning staff with a clearer insight into the impact of new office development on occupancy patterns within the existing supply of office space in the Central Area of Toronto."*

Given the above goal, our work program included the following tasks:

1.1.1 Phase I

The creation and analysis of a tenant profile data base for 10 recently completed office buildings, and the former premises of these tenants.

Tenant information was compiled from a number of different sources, including the Royal LePage Office Leasing computerized "prospect" (tenant) data base, prospect (tenant) file folders, and interviews with Office Leasing sales representatives. This data was transferred to a tenant data entry form, as shown in Exhibit 1.

Information was available for the majority of tenants. However, some of the buildings in our sample were completed after the latest Metro Employment Survey was completed in the Summer of 1989. Hence, there is no employment data for tenants of office buildings completed in late 1989 and early 1990. Our records on the disposition of the tenants former space were sometimes incomplete, as our office leasing representatives typically place greater emphasis on the relocation of tenants to new space than the disposition of their former space. However, further interviews with agents and management result in the receipt of additional data such that we now have adequate information on 33% of the tenant sample and 57% of the former space.

1.1.2 Phase II

A thorough examination of the reletting history of former tenant locations in the Central Area, to determine:

1. The aggregate proportion of leasing activity in the ten new buildings which involved a relocation from an existing Central Area property.

2. The aggregate amount of vacancy thus created in former premises in the Central Area.

3. The average duration of such vacancy.

1.1.3 Phase III

A review of the overall historic supply and demand trends in the Central Area, so as to determine the relationship between new office completions/absorption and occupancy/vacancy rates and absorption in older (Class "B" and "C") buildings.

For the purposes of this report, the different classes of office space are defined as:

Class "A"

Class "A" office buildings typically have a modern and superior quality of exterior curtain walls, state of the art mechanical, electrical and life safety systems, and high quality interior finish. These more prestigious office buildings are typically occupied by Toronto's premier office users, and have a definitive market presence. Given all of the above, Class "A" buildings command premium rents.

Class "B"

Class "B" office buildings commonly have acceptable (but not outstanding) curtain wall finish, adequate (but not state of the art) mechanical, electrical and life safety systems, and a mid-quality level of interior finish. Class "B" buildings compete for a wide range of users, at average rents for their market area.

Class "C"

The curtain walls and the mechanical, electrical and life safety systems of Class "C" buildings are generally somewhat dated and the quality of finish is often below average. These buildings commonly compete for tenants requiring functional space, at below average rents.

SECTION 2 - ANALYSIS OF TENANT PROFILE DATA

2.1 INTRODUCTION

This study focuses on office occupancy patterns within Toronto's Central Area. Royal LePage and the City of Toronto have slightly different definitions of the Central Area (see Exhibit 2), however, the area not included in the City's definition contains a negligible amount of competitive office space. Therefore, the two different definitions of Toronto's Central Area are considered to be the same for the purposes of this report.

Ten office buildings were selected for the tenant survey process (see Exhibit 3); the building sample is representative of the marketplace as:

1. The sample is locationally diverse, with emphasis on the Financial Core, but with good representation in "Downtown North", "Downtown South", "Downtown West" and "Downtown East" areas.
2. The sample contains a wide diversity of building sizes ranging from a low of 112,000 square feet to a high of 1,495,000 square feet.
3. The survey contains buildings of diverse ages (1-5 years old), with completion dates ranging from 1984 to 1989.
4. The sample includes tenants in both the private and public sector, which are both large and small.

A total of 141 tenants were surveyed from the initial sample of 10 buildings. These tenants currently occupy 3,695,107 square feet (see Exhibit 4) of newly constructed office space. The tenants previously occupied 1,675,987 square feet within their former premises.

2.1.1 Relocations with the Central Area

A majority (77.3%) of the tenants surveyed previously occupied space in the Central Area before they moved into their current premises. The following conclusions can be drawn from the first phase of our analysis:

EXHIBIT 2:
MAP OF THE CENTRAL AREA

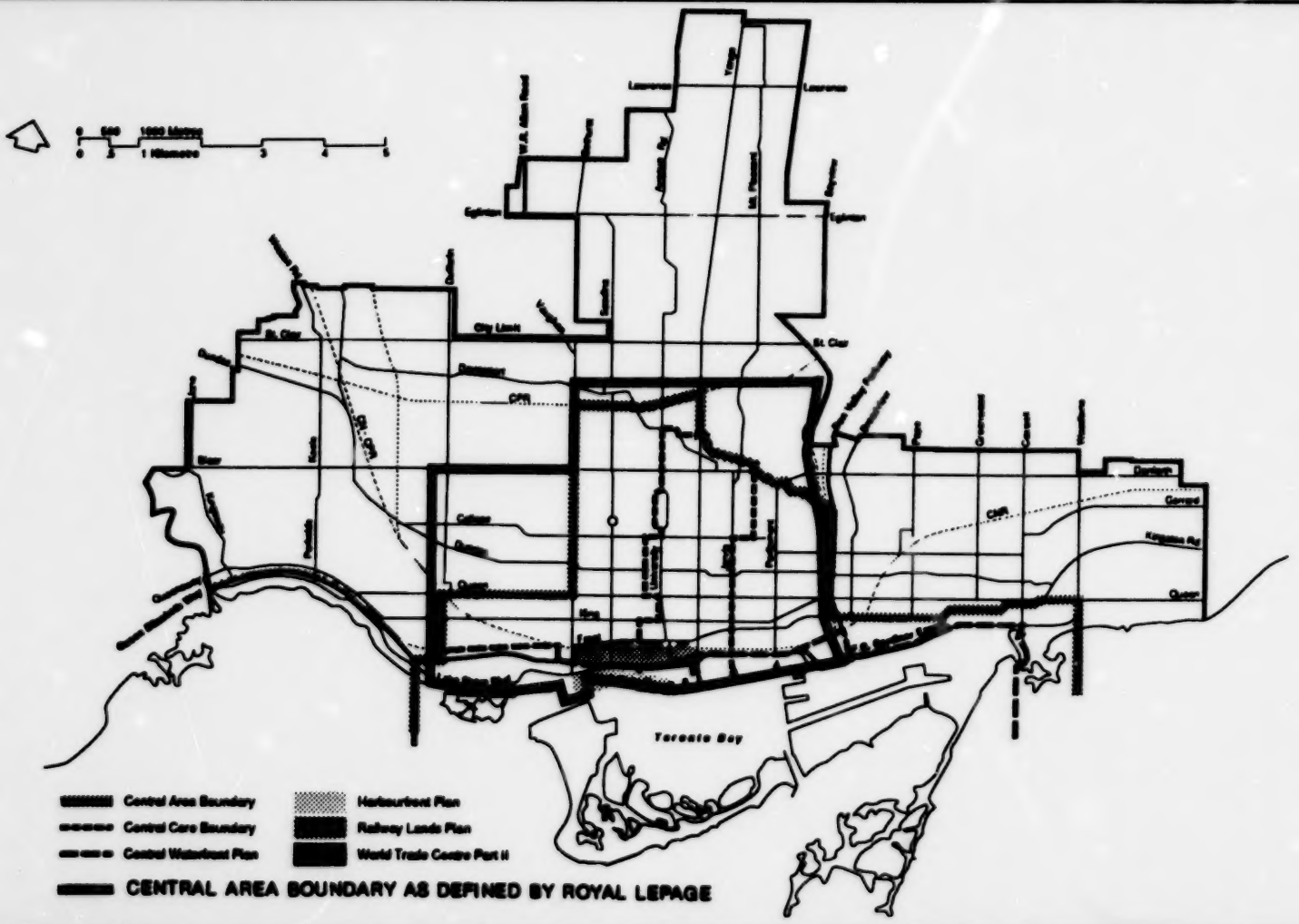

EXHIBIT 3

BUILDINGS SURVEYED

CENTRAL AREA

Building Name	Address	Year Built	No. of Floors	Total Office Area (Square Feet)
Financial Core:				
Scotia Plaza	40 King St.W.	1988	67	1,494,894
Sun Life Centre	150 King St. W.	1984	28	529,226
--	95 Wellington St.W.	1987	22	330,000
Metropolitan Place	1 University Ave.	1986	18	257,521
Downtown North:				
College Park	777 Bay St.	1983	30	825,605
Downtown South:				
Reed Stenhouse Tower	20 Bay St.	1986	24	482,014
Waterpark Place II	10 Bay St.	1989	17	318,000
Downtown West:				
Gemini Building	330 Front St.W.	1989	12	182,863
National Bank Building	310 Front St.W.	1989	8	111,690
Downtown East:				
Peat Marwick & Thorne Building	1 Toronto St.	1989	15	315,859

Source: Royal LePage Commercial Real Estate Services
- Real Estate Consulting Services

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EXHIBIT 4

TENANT PROFILE DATA

	No. of Tenants	Office Space Previously Occupied (Square Feet)	Office Space Currently Occupied (Square Feet)	Net Increase in Occupied Office Space	
				Square Feet	% Change
Tenant Relocations From Within the Central Area	109	1,598,578	3,016,052	1,417,474	88.7
Tenant Relocations From Outside the Central Area	7	77,409	86,300	8,891	11.5
Tenants Establishing New Office Premises	25	0	592,755	592,755	--
Total:	141	1,675,987	3,695,107	2,019,120	120.5

Source: Royal LePage Commercial Real Estate Services - Office Leasing Division
- Real Estate Consulting Services

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1. 82% of the office space surveyed and 77% of the companies surveyed have relocated from former premises within the Central Area, leaving their old space vacant for a duration of time.

2. While the tenants surveyed moved into 3.7 million square feet of office space, they vacated 1.7 million square feet of office space resulting in a net absorption of 2.0 million square feet.

3. Tenants which relocated within the Central Area accounted for 70% of total net absorption of office space. Furthermore, these companies expanded their office space requirements by 1.4 million square feet (an expansion of 89%).

4. Approximately 43% of the new building space (in the 10 building sample) represents the replacement of existing (i.e. former) space. A further 39% of this new space is expansion space. Only 16% was let to new tenants.

In summary, the majority of the leasing activity within these buildings stems from the replacement of existing premises. This clearly indicates that additions to new supply do not immediately translate to an equivalent amount of net office absorption. Furthermore, it is evident that new office completions do not immediately result in new (additional) office employment, but rather result in a transfer of employees from one Central Area locale to another.

2.1.2 Further Analysis of Relocations Within the Central Area

The subset of our sample which comprises of those tenants who have relocated within the Central Area was further scrutinized and the following conclusions were drawn:

EXHIBIT 5

TENANT RELOCATIONS WITHIN THE CENTRAL AREA

Previous Office Accommodation Prior to Relocation	No. of Tenants	Office Space Previously Occupied (Square Feet)	Office Space Currently Occupied (Square Feet)	Increase in Occupied Space	
				Square Feet	% Change
Class "A" Office Space	73	1,036,068	1,956,101	920,033	88.8
Class "B" Office Space	25	475,110	936,566	461,456	97.1
Class "C" Office Space	11	87,400	123,385	35,985	41.1
Total	109	1,598,578	3,016,052	1,417,474	88.7

Source: Royal LePage Commercial Real Estate Services - Office Leasing Division
- Real Estate Consulting Services

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1. The majority of tenants (who relocated from within the Central Area) came from slightly older Class "A" buildings (see Exhibit 5). Approximately 67% of these tenants, occupying 65% of the office space (within the surveyed buildings), originally came from Class "A" buildings. This situation typically occurs during periods of high office demand and low vacancy levels (commonly termed a "landlord's" market"), as has prevailed for the past several years. In such a "tight" office market, only existing Class "A" office tenants can generally afford the high net rents quoted in new Class "A" office buildings. Furthermore, the low tenant inducement levels typical of a "landlord's" market are generally insufficient to offset high rental costs; hence, Class "B" and "C" tenants have no economic incentive to upgrade their office premises.

2. The minority of tenants (22.9%) have relocated from Class "B" office buildings; they now occupy 31.1% of the office space in our sample. Similarly, 9.9% of the tenants came from Class "C" buildings and occupy 4.1% of the space in the new building sample.

3. All tenants relocating within the Central Area have expanded their office premises substantially, with former Class "C" tenants recording the lowest increase in occupied space. Former Class "C" tenants have probably limited their expansion, because of the economic impact of relocating into relatively expensive Class "A" office space building.

2.1.3 Analysis of Tenant Profile Data by Business Activity

Information on the nature of the "Business Activity" of each surveyed tenant was co-related to the number of employees, rentable area occupied (and other survey data) in order to identify trends. We were particularly interested in the office space occupancy characteristics of companies in various business activities. Metro Employment survey data was available for 65 tenants (or 46% of our tenant sample). These 65 tenants presently occupy 1,332,563 square feet of office space and employ 4,391 full time and 57 part-time employees.

EXHIBIT 6

EMPLOYMENT AND FLOOR SPACE DATA

No. of firms where Metro Employment data was available	65
Total amount of office space currently occupied	1,332,563 sq.ft.
Total amount of office space previously occupied	763,197 sq.ft.
No. of full time employees	4,391
No. of part time employees	57

Business Activity	No. of Firms	Full Time Employees	% of Total	Part time Employees	% of Total	Office Space Occupied	% of Total
1. Finance, Insurance and Real Estate	30	2,160	49.2%	22	38.6%	680,383 sq.ft.	51.1%
2. Business Services	25	1,431	32.6%	33	57.9%	457,226	34.3%
3. Government Agencies	5	702	16.0%	0	0	161,754	12.1
4. Mining, Manufacturing, Transportation, Utilities, Construction and Resource Production	4	94	2.1%	2	3.5%	30,200	2.3%
5. Associations and Other Misc. Business Activities	1	4	0.1%	0	0	3,000	0.2%
Total	65	4,391	100%	57	100%	1,332,563	100.0%

Source: Royal LePage Commercial Real Estate Services - Office Leasing Division
- Real Estate Consulting Services
City of Toronto Planning and Development Department

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EXHIBIT 7

BREAKDOWN OF TWO LARGEST BUSINESS ACTIVITIES

CENTRAL AREA

Business Activity	Number of Firms	Office Space Currently Occupied (Square Feet)	Office Space Previously Occupied (Square Feet)	Full Time Employees	Part Time Employees	Current Square Feet Per Employee
1. Finance Insurance and Real Estate						
Bank and Trust Company Administrative Offices	6	37,263	28,800	119	3	305
Investment Services (Investment Dealers, Mutual Funds, etc.)	9	195,680	117,530	758	7	256
Financing (Consumer and Business Finance, Consumer Loans, Business Finance, Mortgage Brokers)	3	31,726	16,003	102	1	308
Insurance Companies (Life Insurance, General Insurance	8	332,803	229,973	875	11	378
Real Estate Developers	3	77,911	33,000	278	0	280
Miscellaneous	1	5,000	5,000	28	0	179
Sub-total:	30	680,383	430,306	2,160	22	312
2. Business Services						
Law Firms	7	126,509	75,000	467	20	260
Accountants	1	70,000	50,000	375	0	187
Management Consultants	10	170,716	88,037	385	7	436
Public Relations Consultants	1	900	900	10	1	82
Computer Services	3	51,643	22,000	90	5	544
Miscellaneous	3	37,458	21,800	104	0	360
Sub-total:	25	457,226	262,737	1,431	33	312
TOTAL:	55	1,137,609	693,043	3,591	55	312

Source: Royal LePage Commercial Real Estate Services - Real Estate Consulting Services
City of Toronto Planning and Development Department

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EXHIBIT 8

TENANT RELOCATIONS FROM OUTSIDE THE CENTRAL AREA

Type of Business Activity	No. of Tenants	Office Space Currently Occupied (Sq.Ft.)	% of Total
Manufacturing	4	58,000	67%
Investment Services	1	16,000	19%
Mining and Minerial Exploration	1	1,300	2%
Transportation (Shipping and Forwarding Agencies, Brokers, etc.)	1	11,000	13%
	7	86,300	100%

Source: Royal LePage Commercial Real Estate Services
- Real Estate Consulting Services

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The majority of tenants (49%) are involved in finance, insurance and real estate activities (see Exhibit 6). The second largest group of tenants (33%) provide business services including legal, accounting, management, consulting, computing and other assorted business services. These two groups together account for 82% of the tenant sample. A further breakdown of the two largest business activity groupings (see Exhibit 7) indicates that management consultants, investment services firms and insurance companies are the three most common Central Area tenants.

Tenants who relocated from outside the Central Area consisted of 7 firms, of which 4 were involved in manufacturing activities (see Exhibit 8). These four firms also represent 67% of the office space currently occupied in this sample of 7 companies.

2.1.4 Employee and Office Space Patterns

As illustrated in Exhibit 9, the ratio of office space to number of employees varies from a high of 315 square feet per employee (in the Mining, Manufacturing, Transportation, Utilities, Construction, and Resource Production sectors) down to a low of 230 square feet per employee (in the Government sector). The average area per employee for all 65 tenants is 300 square feet.

2.1.5 Analysis of Current and Previous Rental Rates

We compared the current quoted (asking) net rental rates in each of the tenant's current and former premises, in order to reflect relative increases in occupancy costs, occuring as a result of an upgrade in the quality of premises. They do not reflect the actual cost of occupancy of the tenant, or the real increase in his costs (over time) in moving from his former to his current premises.

There was rental rate information available for 95 tenants or 67% of the tenant sample. Companies which were formerly located in Class "C" office space have paid the highest increase in rent of $6.30, compared to former Class "B" tenants which faced a rent increase of $3.95 (see Exhibit 10). The increase in rent for former Class "A" tenants was a marginal, at $0.70.

EXHIBIT 9

FLOOR AREA CHARACTERISTICS OF TENANT SURVEY

Business Activity	Floor Tenants (Sq.Ft.)	Total Number of Employees	Floor Area Per Employee (Sq.Ft.)
Finance, Insurance and Real Estate	680,383	2,182	311.8
Business Services	457,226	1,464	312.3
Government Agencies	161,754	702	230.4
Mining, Manufacturing, Transportation, Utilities, Construction and Resource Production	30,200	96	314.6
Total:	1,332,563	4,448	299.6

Source: Royal LePage Commercial Real Estate Services
- Office Leasing Division
- Real Estate Consulting Services

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EXHIBIT 10

RENTAL RATES ACCORDING TO QUALITY OF FORMER OFFICE PREMISES

CENTRAL AREA

Quality of Former Office Premises	No. of Tenants	Average Net Rental Rate for Current Premises (Per Sq.Ft.)	Average Net Rental Rate for Previous Premises (Per Sq.Ft.)	Difference Between Rental Rates for Current and Previous Office Space (Per Sq.Ft.)
Class "A"	73	$30.95	$30.25	$0.70
Class "B"	16	$27.25	$23.30	$3.95
Class "C"	6	$29.60	$23.30	$6.30
	95	$30.25	$28.64	$1.61

Source: Royal LePage Commercial Real Estate Services
- Office Leasing Division
- Real Estate Consulting Services

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The continuing movement of tenants from older Class "A" office space to newly constructed Class "A" office space has most likely been induced by a marginal increase in rental rates, as demonstrated above.

2.2 REASONS FOR RELOCATING

In our survey process, the following categories were used to describe why a tenant had moved:

1. **Expansion** — the tenant's business had expanded and a larger premises were required.

2. **Upgrade** — the tenant decided to relocate in a more prestigious or higher quality building.

3. **Consolidation** — the company is consolidating several different offices into one office building.

4. **Location** — the tenant moved to a more desirable location.

5. **Cost** — the tenant moved to less expensive office space.

6. **Downsizing** — the firm's business is shrinking and the company decided to relocate in smaller premises.

7. **Other** — any other reasons for relocating are included in this category.

Most organizations generally have more than one reason for relocating. Therefore, we have listed a primary and secondary reason for every tenant relocation.

EXHIBIT 11

REASONS FOR RELOCATING

Reason	Primary Response		Secondary Response		Total Responses	
Expansion	55	47.4%	11	17.7%	66	37.3%
Upgrade	32	27.6%	39	62.9%	71	40.1%
Consolidation	7	6.0%	0	0	7	4.0%
Location	12	10.3%	3	4.8%	15	8.5%
Cost	3	2.6%	4	6.5%	7	4.0%
Downsizing	5	4.3%	2	3.2%	7	4.0%
Other	1	0.9%	3	4.8%	4	2.3%
Total:	116	100%	62	100%	177	100.0%

Source: Royal LePage Commercial Real Estate Services
- Real Estate Consulting Services

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As illustrated in Exhibit 11, approximately half (47.4%) of the tenants surveyed have relocated because their business is expanding and they need a larger unit of office space in which to operate. The second most popular reason (27.6% of tenants surveyed) for moving into new office space is to upgrade the quality of their office premises by moving into a newer, higher quality office building. Other less frequent primary reasons for relocating include location of office (10.3%), consolidation of operations (6.0%) and downsizing of operations (4.3%).

As mentioned previously, most organizations generally have more than one reason for relocating. In our sample, approximately 63% of the tenants relocated because they also wished to upgrade the quality of their office premises (aside from their primary reason for moving). Another popular secondary reason for moving (20%) is the need for larger premises. Some other secondary reasons for moving are the cost of office space (6.5%), location of office space (4.8%) and other miscellaneous reasons (4.8%).

2.2.1 Reasons for Relocating According to Business Activity

Most of the companies which have recently expanded and upgraded their office premises are "professional" business organizations (such as law firms or management consulting groups), which require a downtown location in order to successfully function.

Our survey (Exhibit 12) also confirms our perception that the majority of office demand stems from the expansion or upgrading of office premises by firms generally active in finance, insurance, real estate, or provide business services (all these types of companies are considered professional service organizations).

EXHIBIT 12

BUSINESS ACTIVITY CORRELATED WITH REASONS FOR RELOCATING

CENTRAL AREA

	Reason for Relocating		
Business Activity	Primary Reason	No. of Tenants	% of Total in this Activity
Finance, Insurance and Real Estate	Expansion	13	59
Business Services		9	41
		22	100
Finance, Insurance and Real Estate	Upgrade	6	46
Business Services		5	38
Other Firms		2	15
		13	100

Source: City of Toronto Planning and Development Department
Royal LePage Commercial Real Estate Services
- Real Estate Consulting Services

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SECTION 3 - VACANCY LEVEL IN FORMER PREMISES

3.1 INTRODUCTION

We have previously determined that a majority (77.3%) of the tenants surveyed relocated from within the Central Area, leaving a substantial amount of vacant space within existing Central Area buildings. We then ascertained how long this vacated space remained vacant, by reviewing Royal LePage's data base, prospect files and by interviewing Office Leasing management and sales representatives.

Our total sample of tenants includes 141 organizations. However, information on the vacancy created in a tenant's former premises was available for only 47 tenants. Fortunately, information was generally available on higher profile office tenants who occupied large amounts of office space and whose move can be considered a major relocation. Hence, while the 47 tenants in this subset only represent 33.3% of the total tenant sample, the space these organizations occupy is approximately 46.0% of the total office area sampled.

The 47 firms currently occupy 1,699,571 square feet of office space. The organizations formerly occupied 962,626 square feet of office area at that prior location. The average length of vacancy for this office space was approximately 3 months. The following distribution chart further illustrates the duration of vacancy:

Number of Months Vacant	Office Units
0 - 3	29
4 - 6	15
7 - 9	1
10 - 12	1
Over 12	1

Overall, the vacancy of former office premises for our sample of tenants has been very short. However, our sample is skewed by 8 tenants which currently occupy over 20,000 sq.ft. of office space each and whose former premises were immediately occupied after they relocated.

These tenants previously occupied very large units of office space (also over 20,000 square feet); during the past several years, such large areas of vacated contiguous office space were very uncommon in the Central Area office market. As a result, landlords have been able to easily lease up large vacant areas of office space; this has substantially shortened the duration of vacancy in former office premises. The short average duration of vacancy (calculated above at 3 months) is the product of a tight landlord's market. In the future, this average duration of vacancy could easily double or triple as the office market becomes increasingly oversupplied. Specifically, the office market has become increasingly competitive over the last 6 months; the rate of absorption of office space has declined substantially. Conversely, a substantial amount of office space is scheduled to be built over the next 3 to 4 years. This oversupply of office space, combined with the current economic slowdown, has made it increasingly difficult for landlords to retain existing tenants and secure new ones. Class "A" vacancy rates have already increased and are projected to increase up to 15%-17% in 2 to 3 years.

SECTION 4 - HISTORIC AND PROJECTED OFFICE OCCUPANCY PATTERNS

4.1 INTRODUCTION

We have previously established that the majority of leasing activity within new office buildings in the Central Area stems from the relocation of office tenants from former, older Class "A" and "B" premises within the Central Area. Hence, the actual net absorption of new office space in any given year is significantly less than the aggregate amount of new office completions. We further determined that the "former" office space which is vacated can take a significant amount of time to lease-up, ranging from 3 months during periods of strong demand and low vacancy to 12 months (or more) during periods of weak demand and high vacancy.

The following section will attempt to demonstrate and confirm the above (and other) conclusions through:

1. A historic summary of the major economic and real estate market factors affecting the supply and demand for office space.

2. A review of the historic relationship between aggregate office completions and net absorption, and the relationship between Class "A" office completions and Class "A", "B" and "C" vacancy/occupancy rates.

4.2 AN OVERVIEW OF HISTORIC ECONOMIC AND OFFICE MARKET CONDITIONS

The following paragraphs summarize historic (1980 to 1990) office market conditions in the Central Area, and the historic relationship between the office market and the economy as a whole. Specifically, we will consider the dynamic relationship between such office market indicators as the Central Area office vacancy rate, demand factor and percent increase in rental rates; with such economic indicators as inflation, the prime lending rate and the GNP growth rate. As a reference point, the current office market as of April, 1990 is outlined in Exhibit 13.

EXHIBIT 13

CENTRAL AREA OFFICE MARKET STATISTICS

Concentration	Class	Number of Buildings	Total Space	Vacant Space	% Vacant	Occupied Space	Absorption	Demand Factor
Financial Core	A	42	21,193,364	1,983,804	9.4	19,209,560	601,442	3.2%
	B	43	5,426,940	435,086	8.0	4,991,854	(62,678)	-1.2%
	C	41	3,077,123	438,665	14.3	2,638,458	(49,395)	-1.8%
	All	126	29,697,427	2,857,555	9.6	26,839,872	489,369	1.9%
Downtown East	A	1	23,793	0	0.0	23,793	0	0.0%
	B	11	604,700	52,168	8.6	552,532	8,181	1.5%
	C	14	745,946	17,155	2.3	728,791	(1,413)	-0.2%
	All	26	1,374,439	69,323	5.0	1,305,116	6,768	0.5%
Downtown South	A	2	800,014	88,214	11.0	711,800	(15,446)	-2.1%
	B	4	933,350	62,490	6.7	870,860	(5,943)	-0.7%
	C	5	255,535	0	0.0	255,535	0	0.0%
	All	11	1,968,899	150,704	7.6	1,838,195	(21,389)	-1.2%
Downtown West	A	9	1,755,911	99,237	5.7	1,656,674	241,029	17.0%
	B	12	714,420	67,970	9.5	646,450	(16,926)	-2.6%
	C	17	661,860	63,124	9.5	598,736	(22,100)	-3.6%
	All	38	3,132,191	230,331	7.4	2,901,860	202,003	7.5%
Downtown North	A	13	5,476,807	151,872	2.8	5,324,935	(53,781)	-1.0%
	B	32	5,195,160	252,452	4.9	4,942,708	31,197	0.6%
	C	25	1,682,176	48,839	2.9	1,633,337	19,682	1.2%
	All	70	12,354,143	453,163	3.7	11,900,980	(2,902)	0.0%
King West	A	1	100,000	0	0.0	100,000	0	0.0%
	B	6	310,193	109,621	35.3	200,572	20,292	11.3%
	C	5	455,825	19,739	4.3	436,086	600	0.1%
	All	12	866,018	129,360	14.9	736,658	20,892	2.9%
Downtown Sub-total	A	68	29,349,889	2,323,127	7.9	27,026,762	773,244	2.9%
	B	108	13,184,763	979,787	7.4	12,204,976	(25,877)	-0.2%
	C	107	6,878,465	587,522	8.5	6,290,943	(52,626)	-0.8%
	All	283	49,413,117	3,890,436	7.9	45,522,681	694,741	1.5%
Bloor	A	13	3,549,727	171,195	4.8	3,378,532	28,665	0.9%
	B	31	4,185,148	153,712	3.7	4,031,436	(44,064)	-1.1%
	C	32	1,815,186	125,129	6.9	1,690,057	(45,339)	-2.6%
	All	76	9,550,061	450,036	4.7	9,100,025	(60,738)	-0.7%
TOTAL	A	81	32,899,616	2,494,322	7.6	30,405,294	801,909	2.6%
	B	139	17,369,911	1,133,499	6.5	16,236,412	(69,941)	-0.4%
	C	139	8,693,651	712,651	8.2	7,981,000	(97,965)	-1.2%
	All	359	58,963,178	4,340,472	7.4	54,622,706	634,003	-1.2%

Source: Royal LePage Commercial Real Estate Services

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As illustrated in Exhibit 14 and Exhibit 15, the regional economy enjoyed a dynamic period of expansion from 1977 to 1981 inclusive; the business community was supremely confident in the ability of the economy to maintain its then current level of expansion. Hence, the demand for office space was relatively strong, increasing from a 2.8% demand factor in 1980, to a 5.4% demand factor in 1981. This drove office vacancy levels to an all-time low of 1.8% by the end of 1980. In short, a robust economy, strong office demand and a lack of supply drove average office rental rates (the weighted average for Class "A", "B" and "C" space) up dramatically. For example, office rental rates in Downtown Toronto (we do not have historic rental figures on the Central Area, but it parallels the Downtown) increased by approximately 48% in 1980 and 33% in 1981.

However, strong levels of economic growth "fuelled the fires" of inflation, which increased to a high of 12.5% by the end of 1981. The Bank of Canada began to pursue a "monetarist" policy of controlling inflation by restricting the growth of both the economy and the money supply, through upwardly influencing the yields at which government treasury bills were bought and sold, thereby pushing the prime bank rate higher. Hence, the years 1980 and 1981 also saw an unparalled increase in the prime lending rate, climbing from 12.5% to 18.25% in 1980, and from 17.25% to a peak of 22.75% in 1981. These high interest rates had a rapidly depressing effect on the economy, and severely curtailed the rate of business expansion. Corporations either curtailed or postponed their office expansion plans, and placed large blocks of previously committed office space on the open market for sublet.

Conversely, office developers were unable to postpone or delay new office building completions, as many of these buildings were either under construction, or firmly committed to construction. So the combination of high office completion levels and comparatively weak demand drove Central Area vacancy rates up, to 5.3% in 1982, 9.8% in 1983 and ultimately 12.0% in 1984. The situation would have been much worse, had it not been for substantial pre-leasing commitments of tenants within office buildings completed during this period. As a result of this weakening demand and commensurate oversupply of office supply, rental rate growth slowed dramatically during the 1982 through 1985 period, declining from 7.2% in 1982 to 1.2% in 1983, 1.0% in 1984 and to only 0.1% in 1985.

EXHIBIT 14

CENTRAL AREA
HISTORIC SUPPLY AND DEMAND
(in 000's of sq.ft.)

	TOTAL SPACE	NEW SUPPLY	VACANT SPACE	OCCUPIED SPACE	VACANCY RATE	ABSORPTION	DEMAND FACTOR
1979	39,211	1,257	1,669	37,527	4.3%	2,267	--
1980	39,287	76	722	38,565	1.8%	1,038	2.8%
1981	41,521	2,234	860	40,661	2.1%	2,096	5.4%
1982	43,200	1,679	2,288	40,912	5.3%	251	0.6%
1983	46,985	3,785	4,623	42,362	9.8%	1,450	3.5%
1984	48,606	1,621	5,844	42,762	12.0%	400	0.9%
1985	50,298	1,692	4,991	45,307	9.9%	2,545	6.0%
1986	51,887	1,589	4,024	47,863	7.8%	2,556	5.6%
1987	53,750	1,863	1,905	51,845	3.5%	3,982	8.3%
1988	55,371	1,621	2,455	52,916	4.4%	1,071	2.1%
1989	57,222	1,851	3,295	53,927	5.8%	1,011	1.9%
Average Annual 1980-1989		1,801			6.2%	1,640	3.7%
Average Annual 1985-1989		1,723			6.3%	2,233	4.8%

SOURCE: ROYAL LEPAGE COMMERCIAL REAL ESTATE SERVICES
- REAL ESTATE CONSULTING SERVICES
- OFFICE LEASING DIVISION

EXHIBIT 15

HISTORIC OFFICE MARKET AND ECONOMIC INDICATORS

1973-1986

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Compound Annual Growth Rates 1979-84 (5 Yrs)	1984-89 (5 Yrs)	1979-89 (10 Yrs)
A. OFFICE MARKET INDICATORS																	
Class A Rents	12.82	12.87	14.38	15.85	23.05	31.30	33.53	34.51	35.85	38.12	39.54	39.97	44.21	46.31	17.7%	5.3%	11.3%
Class B Rents	7.60	8.09	8.28	9.54	12.29	21.75	20.52	21.50	22.35	24.03	24.77	24.24	28.06	31.30	18.6%	7.0%	12.6%
Class C Rents	6.12	6.75	6.85	8.43	10.33	16.11	16.71	16.91	17.08	17.10	17.54	22.32	20.28	24.55	15.2%	7.5%	11.3%
All Space	11.84	11.61	12.78	14.44	21.35	28.34	30.39	30.75	31.06	31.09	31.89	33.06	38.88	41.99	16.6%	6.2%	11.3%
% Increase	5.6	(1.9)	10.1	13.0	47.9	32.7	7.2	1.2	1.0	0.1	2.6	3.7	17.6	8.0			
Office Vacancy Rate	-	-	-	4.3	1.8	2.1	5.3	9.8	12.0	9.9	7.8	3.5	4.4	5.8			
Office Demand Factor	-	-	-	-	2.8	5.4	0.6	3.5	0.9	6.0	5.6	8.3	2.1	1.9			
B. ECONOMIC INDICATORS																	
CPI**	62.9	67.9	73.9	80.7	88.9	100.0	110.8	117.2	122.3	127.2	132.4	138.2	143.6	151.3	8.7%	4.3%	6.5%
% Increase	7.5	7.9	8.8	9.2	10.2	12.5	10.8	5.8	4.4	4.0	4.1	4.4	3.9	5.4			
Ontario GDP at Factor Cost (Millions of $)	-	-	-	112,312	111,981	116,800	112,580	118,886	129,137	136,389	142,869	151,182	158,957	164,056	2.8%	4.9%	3.9%
% Increase in Real GNP				2.8	-0.3	4.3	-3.6	5.6	8.6	5.6	4.8	5.8	5.1	3.2			
Prime Lending Rate	9.75-10.25	8.25-9.25	8.25-11.5	11.0-14.0	12.5-18.25	17.25-22.75	12.5-18.25	11.0-12.0	11.0-13.5	10.0-11.75	9.75-12.0	8.75-10.0	9.75-12.25	12.25-13.50			

* Weighted average of quoted gross rental rates per square foot
** Consumer Price Index, 1981 = 100

Source: Royal LePage Commercial Real Estate Services - Office Leasing Division
- Real Estate Consulting Services

While the economy began to recover in 1984, business confidence (and accompanying economic growth) did not return until 1985. Correspondingly, corporations who had previously deferred office expansion plans sought to satisfy their "pent up" needs, resulting in a rapid increase in the demand for (absorption of) office space. Hence, the demand factor climbed to 6.0% in 1985, 5.6% in 1986 and 8.3% in 1987. Conversely, office building developers were not able to re-instate their development plans (and bring new product onto the market) quickly enough. As a result, demand outpaced new supply, and vacancy rates dropped rapidly, to a low of 3.5% by the end of 1987. This undersupply of office space (relative to strong demand) caused rental rates to (once again) increase rapidly, growing by 2.6% in 1986, 3.7% in 1987 and 17.6% in 1988.

Both economic growth and the demand for office space moderated in 1988 and 1989. Specifically, the economy began to "cool", showing Gross Domestic Product (GDP) growth rates of 5.1% and 3.2% in 1988 and 1989, respectively. Previous pent-up demand for office space had been more or less satiated during the 1985 through 1987 inclusive, such that the demand factor declined to 2.1% in 1988 and 1.9% in 1989. Nevertheless, the rate of new office completions continued at a reasonable pace, such that vacancy levels increased to 4.4% by the end of 1988 and 5.8% by the end of 1989.

In summary, there are a variety of factors which affect the supply of, and demand for, office space. These include both economic considerations (inflation, interest rates and GNP growth), and real estate market factors (office building completions, net absorption and vacancies). These economic and market factors are intertwined, and cannot be examined in isolation. Hence, it is falacious to assume that the construction of new office space, or the potential to construct new office space (based upon current vacant land availability and zoning) will result in an equivalent amount of demand for new office space, and corresponding needs for the municipal infrastructure.

Rather, net office space absorption (which is a truer indication of office space demand) increases during periods of strong economic growth and leasing activity and declines during periods of weak economic growth and leasing activity. As we will later demonstrate in this section, we are entering a period of substantial office building completions and relatively reduced office leasing activity, such that net office space absorption will likely be much lower than the rate of new office building completions. This will likely result in a much lower extent of demand on municipal infrastructure than previously anticipated.

4.3 HISTORIC OFFICE SUPPLY AND DEMAND RELATIONSHIPS

As previously demonstrated, the office market is cyclical, responding to both external economic influences and interior real estate market influences. Similarly, the relationship between aggregate office building completions and net absorption is cyclical, depending upon the strength of the economy and office leasing activity at any particular point in time. For example, as illustrated in Exhibit 14, at the peak of the office leasing market in 1981, net absorption was 2.1 million square feet, or approximately 94% of 2.2 million square feet in new construction activity. Similarly, during the economic recovery of 1985 through 1987 (inclusive), net absorption exceeded new supply, with net absorption averaging approximately 175% of new supply during that period. Conversely, net absorption represents a low percentage of new supply during periods of weak economic growth and leasing activity. For example, during the 1982 through 1984 recession, net absorption averaged only 30% of new supply.

This cyclicality also extends to the relationship between Class "A" office completions and Class "B" and "C" office absorption and vacancy (Exhibit 16). We have previously demonstrated (through our survey) that there is generally a significant amount of tenant relocation from Class "B" to Class "A" office buildings. This particularly occurs during periods of weak demand, wherein office building developers offer reduced rental rates and/or substantial financial incentives ("tenant inducements") to entice Class "B" tenants into new Class "A" office space. For example, during the 1982 through 1984 recession, a substantial amount of the demand for Class "A" office space stemmed from the relocation of Class "B" office tenants (from within the Central Area).

EXHIBIT 16

HISTORIC OFFICE COMPLETIONS AND ABSORPTION

CENTRAL AREA

(000's Square Feet)

	Class "A"		Class "B"		Class "C"	
Year	Completions	Absorption	Vacancy	Absorption	Vacancy	Absorption
1980	76	805	1.9%	101	4.5%	131
1981	2,570	2,508	1.6%	213	1.3%	(174)
1982	1,596	607	6.5%	(91)	4.1%	(161)
1983	3,725	1,856	9.9%	(18)	5.0%	(212)
1984	2,000*	762	13.4%	(177)	8.2%	(90)
1985	1,402	1,959	11.7%	461	7.7%	(3)
1986	1,055	1,696	10.2%	567	7.3%	22
1987	1,285	2,349	3.8%	1,371	6.5%	136
1988	1,486	701	3.6%	660	4.3%	(154)
1989	1,900	1,588	5.3%	(42)	7.1%	(623)
Annual Average 1980-1989	1,710	1,438	6.8%	305	5.6%	(113)
Annual Average 1982-1989	1,806	1,440	8.1%	341	6.3%	(136)

*Estimated

Source: Royal LePage Commercial Real Estate Services
- Office Leasing Division
- Real Estate Consulting Services

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For example, as illustrated in Exhibit 16, positive Class "A" absorption during the years 1982 through 1984 was largely fuelled by negative absorption (a reduction in office occupancy) in Class "B" and "C" space, resulting in very substantial increases in the vacancy levels of these lower two space categories. For example, Class "B" vacancy rates increased from 6.5% in 1982 to 9.9% in 1983 and 13.4% in 1984. Similarly, Class "C" vacancy rates increased from 4.1% in 1982 to 5.0% in 1983 and 8.2% in 1984.

The converse of this trend can be found during periods of strong demand. During these periods, rents for Class "A" office space tend to increase to levels which are unaffordable for many tenants. During these "landlord's markets", many office tenants tend to seek lower cost alternatives in Class "B" and even Class "C" office space. For example (and as illustrated in Exhibit 16), during the buoyant office leasing period of 1985 through 1987 (inclusive), net absorption of both Class "A" and "B" space was comparatively strong, with Class "B" absorption peaking at an all-time high of 1.4 million square feet in 1987 (as compared to a 10-year average of 305,000 square feet per annum). This resulted in a decline of Class "B" vacancy rates to 3.8% by the end of 1987, its lowest level since the "heady" days of 1980 and 1981.

In conclusion, we have demonstrated, through both individual tenant surveys and a review of aggregate market statistics, that high levels of new office building completions translate to strong net absorption (and thereby to high demand for municipal infrastructure) during periods of buoyant economic growth and commensurately strong office leasing activity. Furthermore, it is evident that during periods of strong economic growth, office leasing activity and net absorption is strong in all classes of office space. Conversely, during periods of weak economic growth and lesser leasing activity, net absorption is weak; due to both lower overall demand for Class "A" office space and substantial relocations from Class "B" buildings. It therefore follows that the impact of new office building completions on municipal instructure will be lesser during periods of relatively weak economic growth and office demand, as might occur over the next several years.

4.4 PROJECTED CENTRAL AREA OFFICE SUPPLY AND DEMAND

4.4.1 Economic and Real Estate Factors Influencing Projected Supply and Demand

There are a variety of economic and real estate factors which will affect the projected supply and demand for office space in the Central Area over the next several years, namely:

1. The Royal Bank of Canada projects that Ontario GNP growth will average 0.7% in 1990, 1.3% in 1991, 2.0% in 1992, and 2.3% in 1993.

2. The Royal Bank forecasts that inflation will average 4.8% in 1990, 5.5% in 1991, 4.2% in 1992, and 3.6% in 1993.

3. The Royal Bank projects that the prime rate will average 14.49% in 1990, 14.38% in 1991, 12.83% in 1992, and 11.42% in 1993.

4. If all office buildings which are under construction, firmly proposed or planned proceed, we estimate that approximately 4.0 million square feet of office space will be completed in 1990, 5.2 million square feet in 1991, 3.6 million square feet in 1992, and 3.4 million square feet in 1993. This represents a 25% total increase in the Central Area office supply from current levels, which is reminiscent of the 17% increase in inventory which occurred during the 1981 through 1984 period.

5. However, given the impending further weakening in the state of the Ontario economy and Central Area office demand, many developers may defer planned office projects. If those projected office building completions which are not under construction and have no core tenants are deferred to beyond 1994, approximately 4.0 million square feet will be completed in 1990, 5.0 million square feet in 1991, 3.1 million square feet in 1992, and 1.0 million square feet in 1993 (see Exhibit 17).

EXHIBIT 17

CENTRAL AREA
HISTORIC AND PROJECTED
SUPPLY AND DEMAND
(in 000's of sq.ft.)

A: HISTORICAL

	TOTAL SPACE	NEW SUPPLY	VACANT SPACE	OCCUPIED SPACE	VACANCY RATE	ABSORPTION	DEMAND FACTOR
1980	39,287	76	722	38,565	1.8%	1,038	2.8%
1981	41,521	2,234	860	40,661	2.1%	2,096	5.4%
1982	43,200	1,679	2,288	40,912	5.3%	251	0.6%
1983	46,985	3,785	4,623	42,362	9.8%	1,450	3.5%
1984	48,606	1,621	5,844	42,762	12.0%	400	0.9%
1985	50,298	1,692	4,991	45,307	9.9%	2,545	6.0%
1986	51,887	1,589	4,024	47,863	7.8%	2,556	5.6%
1987	53,750	1,863	1,905	51,845	3.5%	3,982	8.3%
1988	55,371	1,621	2,455	52,916	4.4%	1,071	2.1%
1989	57,222	1,851	3,295	53,927	5.8%	1,011	1.9%
Average Annual 1980-1989		1,801			6.2%	1,640	3.7%
Average Annual 1985-1989		1,723			6.3%	2,233	4.8%

B: PROJECTED

MOST LIKELY SCENARIO

1990	61,219	3,997	6,092	55,127	10.0%	1,200	2.2%
1991	66,247	5,028	10,220	56,027	15.4%	900	1.6%
1992	69,306	3,059	11,578	57,728	16.7%	1,700	3.0%
1993	70,306	1,000	10,278	60,028	14.6%	2,300	4.0%
1994	71,306	1,000	8,878	62,428	12.5%	2,400	4.0%
Average Annual 1990-1994		2,817			13.8%	1,700	3.0%

EXHIBIT 17 CONT'D

	TOTAL SPACE	NEW SUPPLY	VACANT SPACE	OCCUPIED SPACE	VACANCY RATE	ABSORPTION	DEMAND FACTOR
LOW DEMAND SCENARIO							
1990	61,219	3,997	6,392	54,827	10.4%	900	1.7%
1991	66,247	5,028	10,820	55,427	16.3%	600	1.1%
1992	69,306	3,059	12,480	56,826	18.0%	1,400	2.5%
1993	70,306	1,000	11,480	58,826	16.3%	2,000	3.5%
1994	71,306	1,000	10,380	60,926	14.6%	2,100	3.6%
Average Annual 1990-1994		2,817			15.1%	1,400	2.5%
HIGH DEMAND SCENARIO							
1990	61,219	3,997	5,792	55,427	9.5%	1,500	2.8%
1991	66,247	5,028	9,620	56,627	14.5%	1,200	2.2%
1992	69,306	3,059	10,679	58,627	15.4%	2,000	3.5%
1993	70,306	1,000	9,079	61,227	12.9%	2,600	4.4%
1994	71,306	1,000	7,379	63,927	10.3%	2,700	4.4%
Average Annual 1990-1994		2,817			12.5%	2,000	3.5%

SOURCE: ROYAL LEPAGE COMMERCIAL REAL ESTATE SERVICES
- REAL ESTATE CONSULTING SERVICES
- OFFICE LEASING DIVISION

It is important to note that if a decision to commence the construction of a major office building is deferred for, say, 2 years, the actual completion of the building will not occur until 5 years hence (allowing 3 years for planning, design, bid, and construction). Hence, a 2-year deferral of an office development now will postpone its completion to the end of 1994, at the earliest.

6. Despite an anticipated decline in office leasing activity over the next several years, pre-leasing activity within office buildings presently under construction or firmly proposed will likely maintain office absorption at reasonable levels. Pre-leasing activity in the Central Area amounts to approximately 2,110,000 square feet (53% of the total space under contruction) in 1990, 1,210,000 square feet in 1991 (24% of the total), and 570,000 square feet in 1992 (19% of the total).

7. We have previously determined that approximately 80% of the office space completed from 1985 to 1989 inclusive was leased to tenants who relocated from other Central Area buildings; we expect this trend to continue. Hence, we broadly estimate that approximately 80% of the pre-leasing activity in projected 1990 completions (as enumerated above) are relocations from former premises <u>within</u> the Central Area. Similarly, we project that approximately 80% of pre-leasing activity within office buildings slated for completion in 1991, 1992 and 1993 will represent relocations from within the Central Area. It therefore follows that only 20% of the aforementioned pre-leasing activity will be net absorption.

4.4.2 <u>Projected Supply and Demand for New Office Space</u>

We have previously projected that stagnant economic conditions will cause office building developers to postpone projects, such that new office construction will likely amount to 4.0 million square feet in 1990, 5.0 million square feet in 1991, 3.1 million square feet in 1992, and 1.0 million square feet in 1993.

With respect to demand, we have previously noted strong pre-leasing activity (leases negotiated in 1988 and 1989) within office buildings slated for completion in 1990 and 1991. However, a very substantial portion of this pre-leasing activity stems from tenants who will be moving out of the the lower tier of Class "A" buildings and in Class "B" buildings, from within the Central Area; conversely, very little of this leasing activity stems from expansion or movement of new tenants into the Central Area. As a result, the net absorption of office space stemming from this pre-leasing activity will likely be low.

Given all of the above, we project that net absorption will most likely amount to 1,200,000 square feet in 1990 (a 2.2% demand factor), 900,000 square feet in 1991 (a 1.6% demand factor), 1,700,000 square feet in 1992 (a 3.0% demand factor), and 2,300,000 square feet in 1993 (a 4.0% demand factor). As a result, we project that vacancy rates will most likely increase to 10.0% in 1990, 15.4% in 1991, 16.7% in 1992, and 14.6% in 1993.

In summary, despite anticipated deferrals of office building completions, projected vacancy levels will likely increase to the 15%-16% range during the 1991-1994 period. Hence, the office market will clearly be weighted in favour of the tenant, with limited rental rate growth and substantial tenant inducements required to lease space.

4.4.3 Impact on Class "A" Office Completions and Corresponding Demands on the Municipal Infrastructure

This will affect the projected supply of new Class "A" space, and its corresponding impact on the municipal infrastructure, in the following manner:

1. The extent of new Class "A" office completions will likely be much less than previously anticipated.

2. Net office space absorption will also be lower than previously anticipated, but will be mitigated by pre-leasing activity within office buildings under construction. Nevertheless, aggregate net office absorption will be substantially less than aggregate new completions.

3. Very approximately 50% of new construction from 1990 to 1994 inclusive will stem from tenants relocating from within the Central Area. Another 13% of the newly constructed space will be filled by tenants who established new office premises or tenants who were previously located outside the Central Area. The remainder of the space (37%) will be vacant.

4. The duration of lease-up of the "former" office space (which will be vacated by tenants of new Class "A" space) will be relatively lengthy, due to a comparative weakening in overall office demand and the movement of potential Class "B" tenants to Class "A" buildings, as enticed by substantial tenant inducements.

4.4.4 Impact on Class "B" and Class "C" Vacancy

4.4.4.1 Introduction

We have previously forecast that an impending softening in the Central Area office market will cause a decline in Class "A" office rental rate growth and an increase in tenant inducements, thereby motivating Central Area Class "B" office tenants to relocate to Class "A" buildings. This will, in turn, increase the amount and duration of Class "B" vacancy. It is hypothetically possible that this vacant Class "B" space will be rapidly filled by suburban tenants seeking inexpensive downtown space. We do not find this hypothesis to be plausible, for the reasons contained in the following paragraphs.

EXHIBIT 18

BREAKDOWN OF PROJECTED ABSORPTION

CENTRAL AREA

(000's of Square Feet)

	1990	1991	1992	1993	1994
Projected Overall Office Space Absorption (see Exhibit 17)	1,200	900	1,700	2,300	2,400
Less: Projected Newly Constructed Class "A" Office Space Absorption	2,908	3,308	3,780	1,430	740
Equals: Projected Absorption in Existing Office Space	(1,708)	(2,403)	(2,080)	870	1,660

Source: Royal LePage Commercial Real Estate Services
- Office Leasing Division
- Real Estate Consulting Services

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This trend is unlikely to occur, because of the differences between "Downtown" and "Suburban" tenants. Tenants in the downtown core generally are:

- professional service firms, such as law offices and accounting firms;
- offices of Canadian national and international corporations; and,
- head offices of financial service industries.

The daily business routine of these "Downtown" tenants requires regular face-to-face personal contact with many of their clients (who also reside in the downtown core). The business activities of suburban office users are more administrative and clerical in nature. For example, many life insurance companies have moved their clerical support staff from downtown to suburban locations. These types of office space users do not require a downtown location to conduct business, and can therefore take advantage of less expensive suburban office premises.

In summary, Downtown and Suburban office tenants have widely different operational requirements. Hence, there is minimal movement of tenants between the Downtown and the Suburbs. As a result, we do not expect that much of the vacated Downtown Class "B" space will be backfilled by former suburban Class "A" tenants. In the following section, we have attempted to determine how the "currently existing" inventory of all categroies of office space will be affected by the completion of "newly constructed" class "A" office premises over the next four years.

4.4.4.2 Projected Demand for Currently Existing Office Space

Method of Analysis

As a first step to dividing absorption between currently existing and newly constructed office space, we projected the likely absorption of individual class "A" office buildings currently under construction and proposed in the Central Area. By totalling all these individual absorption projections for every year between 1990 and 1994, we were able to calculate how much newly constructed class "A" office space will be absorbed for each of the next five years. We have already projected the future demand for all types of office space in Exhibit 17. Therefore, by subtracting the projected absorption in the newly constructed class "A" office space from the projected absorption for all types of office space, we calculated the projected absorption from 1990 to 1994 in the office premises which are currently existing. This whole process is illustrated in Exhibit 18.

EXHIBIT 19

PROJECTED VACANCY AND ABSORPTION IN
EXISTING CLASS "A", "B" AND "C" OFFICE SPACE

(Central Area)
(000's of Square Feet)

Year	Total Space	Vacant Space	Occupied Space	Vacancy Rate	Absorption	Demand Factor
1989	57,222	3,295	53,927	5.8%	871	1.7%
1990	57,222	5,003	52,219	8.7%	(1,708)	(3.2%)
1991	57,222	7,406	49,816	12.9%	(2,403)	(4.6%)
1992	57,222	9,486	47,736	16.6%	(2,080)	(4.2%)
1993	57,222	8,616	48,606	15.1%	870	1.8%
1994	57,222	6,956	50,266	12.2%	1,660	3.4%

Source: Royal LePage Commercial Real Estate Services
- Office Leasing Division
- Real Estate Consulting Services

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Result

The result of this process clearly shows that the Central Area will likely experience substantial negative absorption in the office buildings which are currently existing today. Over the next five years, the Central Area will lose a cumulative total of 2.8 million square feet as tenants move out of existing office premises. As we previously described, the relatively high negative absorption figures are the result of an oversupplied office market where tenants will be upgrading their office premises and creating extended vacancies in their former office space.

The next step is to examine the projected supply of currently existing office space.

4.4.4.3 Projected Supply and Vacancy for Currently Existing Office Space

We have assumed that the stock of existing class "A", "B" and "C" office space will remain constant over the next five years.

The projected absorption figures and static supply of existing office space are combined in Exhibit 19. The projected vacancy rate for the currently existing inventory of office space is projected to increase from 5.8% in 1990 to 16.6% in 1992 as a result of the static supply and the large negative absorption projected for the Central Area over the next five years.

The high level of projected negative absorption will also have the effect of dramatically reducing the amount of space occupied in currently existing office buildings. The amount of office space occupied could drop as low as 47.7 million square feet from its current level of 53.9 million square feet.

As vacancy levels increase and the amount of occupied space decreases in currently existing office buildings, the number of employees working in currently existing office buildings will likely be reduced. This reduction of Central Area office employment will help mitigate the projected increase in office employment in newly constructed class "A" office premises. In turn, the demands placed on the municipal infrastructure will be increased by new employment in newly constructed office buildings but will be decreased by the reduction in employment in currently existing office premises.

The preceeding analysis is designed to give the reader a general idea of future trends in the Central Area office market. However, the actual projections are very dependent on general economic conditions, demographic trends and the condition of the real estate market. Therefore, the projections are preliminary estimates and should be used only to discern trends in the marketplace.

APPENDIX 1

SECTION 1 - BACKGROUND

The Planning and Development Department of the City of Toronto has invited the Real Estate Consulting Services group of Royal LePage Commercial Real Estate Services to submit a proposal for the completion of a detailed study of office occupancy patterns within Toronto's Central Area. This analysis is one of a series of studies currently being undertaken in the completion of City Plan 91 - A New Official Plan for Toronto Central Area. Specifically, the ability of planning staff to predict the likely impact of new office construction on office employment levels and resulting commuting flows is extremely important. Towards this end, the department would like to develop a better appreciation of the dynamics of tenant relocation patterns within the Central Area.

A significant proportion of tenants occupying space in newly constructed buildings within the Central Area leased space in another Central Area property prior to relocation. In these instances, the rising occupancy of newly constructed office space was likely accompanied by a corresponding short-term decrease in occupancy levels in older buildings within the Central Area. Over the long run, the vacated space within the older stock is "back filled" with new tenants. However, in the short run, much of this space remains temporarily vacant, undergoes renovation or is replaced. The Planning and Development Department staff would like to develop a better understanding of the extent to which this form of occupancy transfer has, in fact, occurred and its overall impact on occupancy levels within the existing stock of office space in the Central Area.

Given the above background, the Planning and Development Department have developed terms of reference for the study program which is divided into three phases. Phase I involves an examination of the characteristics of tenants occupying a set of newly constructed office space within the Central Area and the determination of the extent to which new occupancies are the result of a relocation from another Central Area property.

Phase II involves the determination of the impact of these moves on occupancy levels at the former location. Phase III of the study includes a review of overall market trends in the Central Area, in respect of changes in supply and demand since 1976, with an assessment of the overall impact of new office occupancies on the occupancy/vacancy rate of existing buildings. A copy of the terms of reference prepared by the Planning and Development Department of the City of Toronto (dated October 18th, 1989) is appended.

Given the preceeding, the following proposal sets out study goals and objectives (Section 2), a study program (Section 3), team management, timing and fees (Section 4), experience relevant to this assignment (Section 5), and the consulting team (Section 6).

SECTION 2 - STUDY GOAL AND OBJECTIVES

Given the preceeding background, and the terms of reference submitted by the City of Toronto Planning and Development Department, we suggest that the overall goal of the study program should be to:

> *"Provide planning staff with a clearer insight into the impact of new office development on occupancy patterns within the existing supply of office space in the Central Area of Toronto."*

Given the above goal, we recommend the following subsidiary objectives.

2.1 PHASE I

Create and analyze a tenant profile data base for 10 recently completed office buildings, resulting in the identification of tenant profile trends and the isolation of tenant movements involving relocation from within the Central Area.

2.2 PHASE II

Through an examination of the reletting of former tenant locations in the Central Area, determine:

1. The aggregate proportion of leasing activity in the ten new buildings which involved a relocation from an existing Central Area property.

2. The aggregate amount of vacancy thus created in former premises in the Central Area.

3. The average duration of such vacancy.

2.3 PHASE III

Review overall historic supply and demand trends in the Central Area, so as to determine the relationship between new office completions/absorption and occupancy/vacancy rates and absorption in older (Class "B" and "C") buildings.

SECTION 3 - THE STUDY PROGRAM

Given the preceeding background, we recommend the study program summarized in Exhibit 1, as detailed in the following paragraphs.

3.1 PHASE I - CREATE TENANT PROFILE DATA BASE

1. Identify a representative sample of ten office buildings. This sample should, to the degree possible, be proportionately representative to the location and size of total office completions in the Central Area over the past five years. In short, the selection should be proportionately diverse.

2. Create a computer data base structure, possibly along the lines suggested in Exhibit 2 in order to aggregate and analyze tenant information.

3. Complete a "tenant profile run" on Royal LePage's IBM System 36 computer system.

   Each office building file in Royal LePage's system is linked to Royal LePage's tenant data base. It is therefore possible for Royal LePage to produce a print-out of all of the tenants in any single building, along with a complete profile of each tenant. A sample "Building Tenant List" is provided in Exhibit 3 and a sample "Tenant Profile" is provided in Exhibit 4. A typical "Full Display Building and Vacancy Report" and a sample "Leasing Transaction Report" are included in Exhibit 5 and Exhibit 6, respectively.

4. Review current and prior years "Metro Employment Surveys".

5. Complete supplementary tenant profile research, including:

   a. Review of individual tenant file folders;

   b. Interview with the assigned Royal LePage agent; and,

   c. Telephone contact with the tenant, if necessary.

6. Input of the data into the computer data base created specifically for this assignment.

7. Isolation of those tenant cases involving a relocation within the Central Area.

8. Further statistical analysis of the aforementioned data, so as to identify trends with respect to:

   a. The percentage of employment or floor space allocated to various business activities;

   b. The rentable floor area occupied (in total and per worker), seggregated by business activity; and,

   c. A ranking of the reasons for relocating, from most frequent to least frequent.

3.2 PHASE II - RELOCATION ANALYSIS

1. A further review of Royal LePage's computerized tenant profile and supplementary research (as previously described), so as to input data into the project data base dealing with the nature and disposition of the tenant's former premises (see Exhibit 2, "Suggested Data Base Entry Form").

2. Statistical analysis of this data, to determine:

   a. The proportion of leasing activity within new space in the Central Area resulting from relocation from other Central Area premises.

   b. The aggregate vacancy level created in the former premises; and,

   c. The duration of vacancy of the former premises, both in aggregate and broken down into vacancy durations (0-3 months, 4-6 months, 7-9 months, 10-12 months, over 12 months).

3.3 PHASE III - OFFICE MARKET OVERVIEW AND CONCLUSIONS STEMMING FROM PHASES I AND II

1. The review of historic office supply and demand trends from 1976 to date, detailing:

   a. The historic relationship between aggregate office completions and net absorption;

   b. The historic relationship between Class "A" office completions or absorption and Class "B" and "C" absorption and vacancy; and,

   c. The historic relationship between aggregate office completions and occupancy rates by building type ("A", "B" or "C").

   We believe that the above analysis will clearly demonstrate the degree to which new office completions result in lower levels of net absorption due to tenant relocations from existing premises within the Central Area or due to tenant moves to locations outside the Central Area. This statistical analysis will also clearly demonstrate, in an aggregate sense, impact of Class "A" office completions and absorption on Class "B" and "C" absorption and vacancy levels.

2. A historic summary of the major factors influencing historic supply and demand, and their historic relationship with supply and demand. Major factors to be considered include:

   a. Historic rental growth rates;

   b. Historic inflation;

   c. Historic interim financing rates;

   d. Historic mortgage rates;

   e. Historic GNP growth; and,

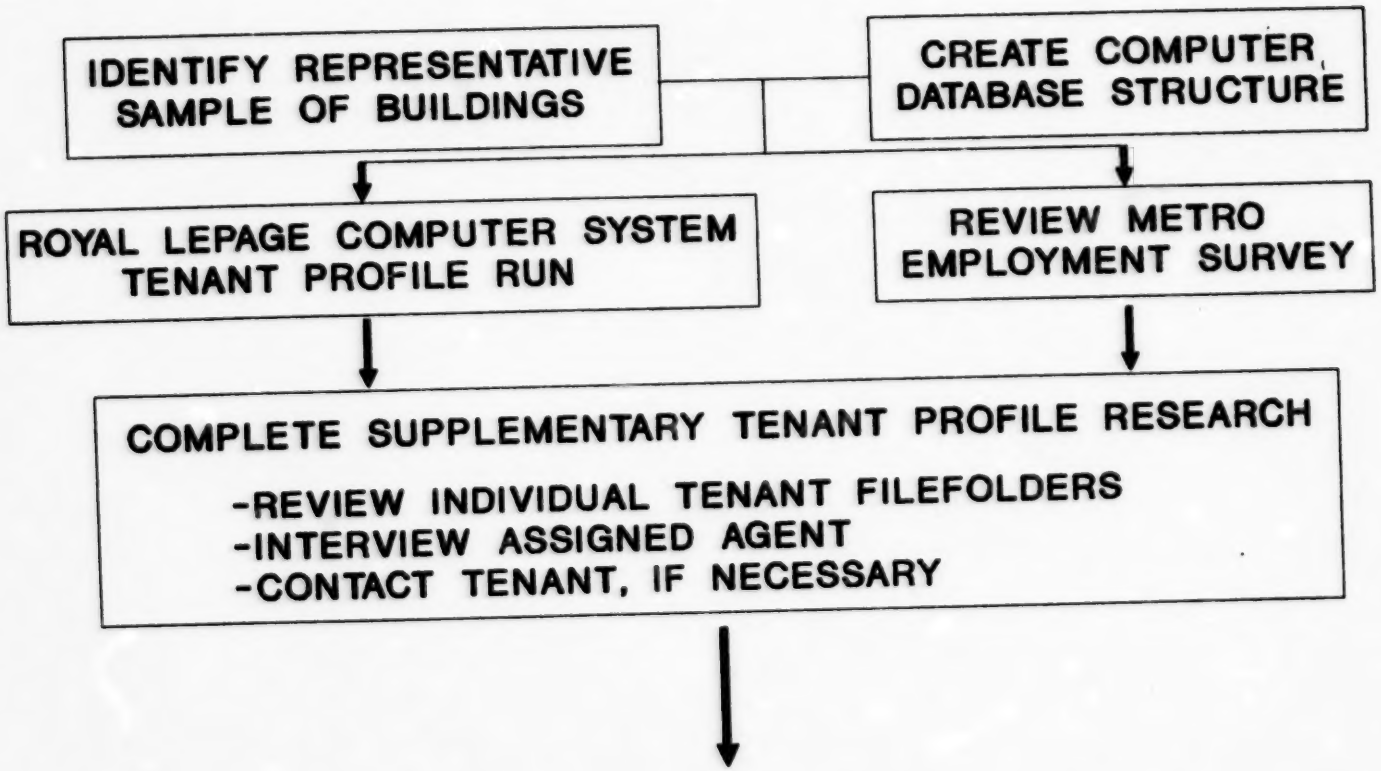
   f. Historic economic leading indicator changes.

3. **All of the above analysis (from Phases I, II and II) will lead us to draw conclusions as to the impact of new office construction on occupancy patterns and office space absorption rates in Toronto's Central Area.**

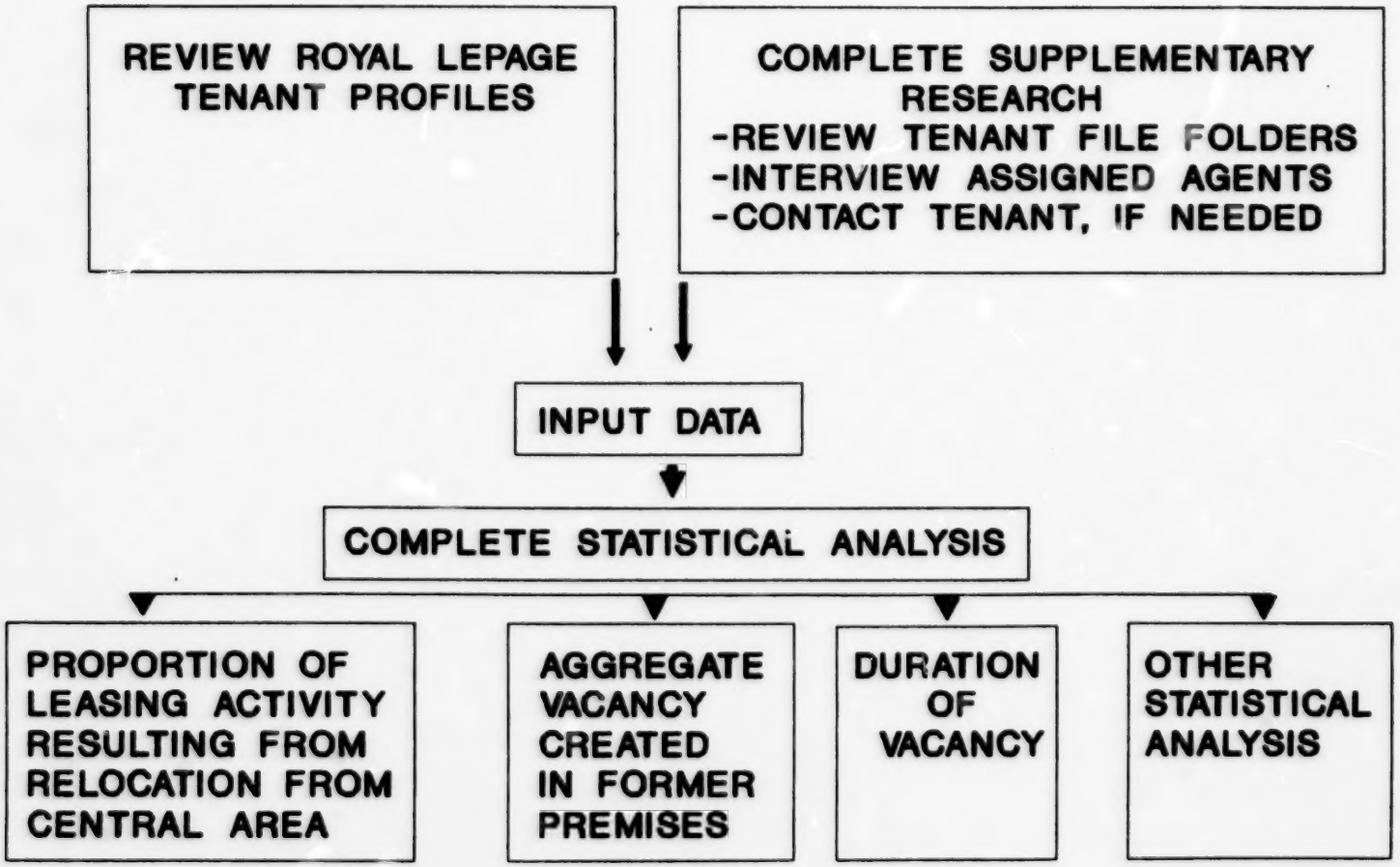
EXHIBIT 1:

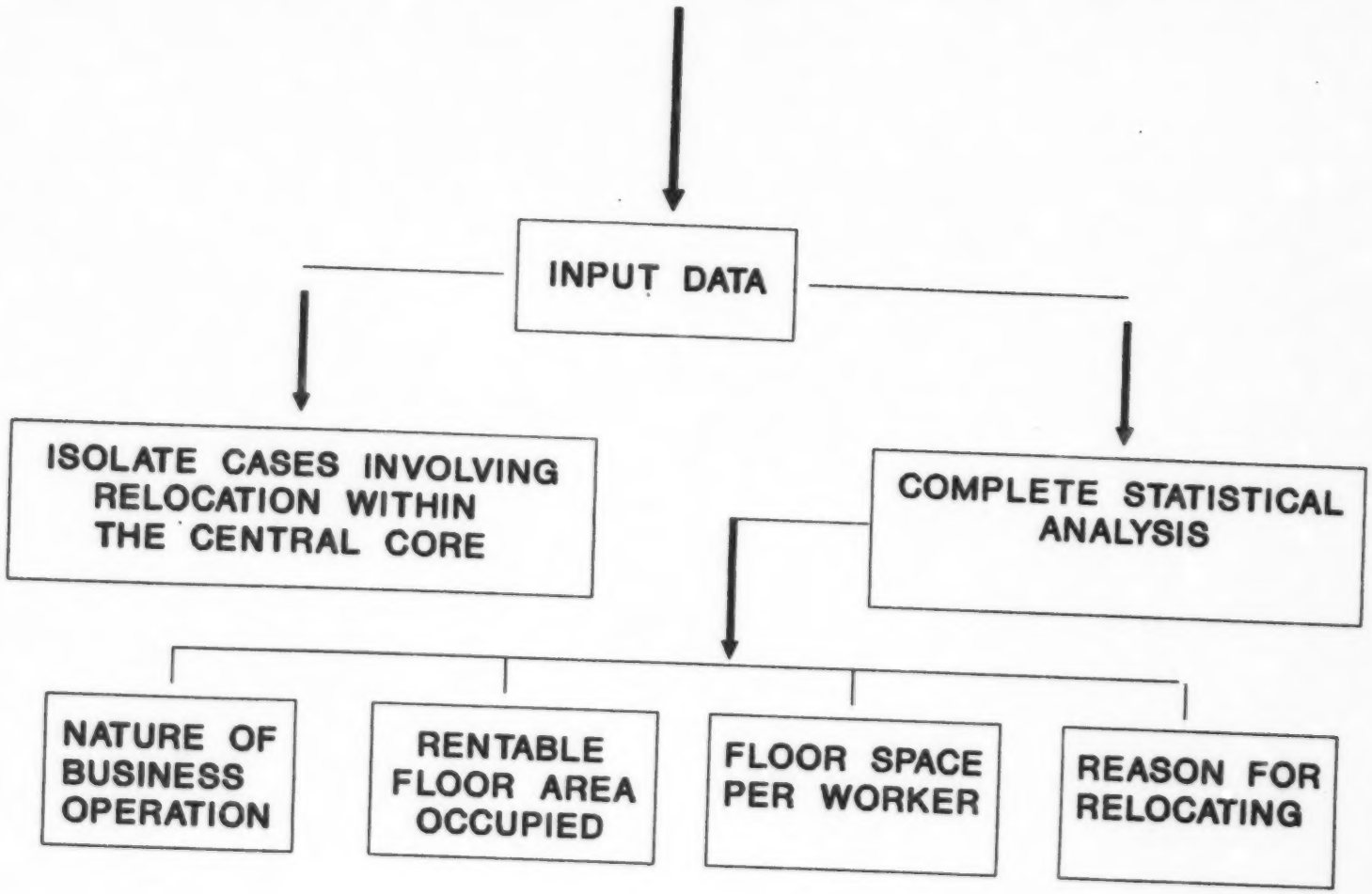
OFFICE OCCUPANCY STUDY
WORK PROGRAM

PHASE ONE
CREATE TENANT PROFILE DATABASE


IDENTIFY REPRESENTATIVE SAMPLE OF BUILDINGS
CREATE COMPUTER DATABASE STRUCTURE
ROYAL LEPAGE COMPUTER SYSTEM TENANT PROFILE RUN
REVIEW METRO EMPLOYMENT SURVEY
COMPLETE SUPPLEMENTARY TENANT PROFILE RESEARCH
-REVIEW INDIVIDUAL TENANT FILEFOLDERS
-INTERVIEW ASSIGNED AGENT
-CONTACT TENANT, IF NECESSARY

PHASE TWO
COMPLETE RELOCATION ANALYSIS


REVIEW ROYAL LEPAGE TENANT PROFILES
COMPLETE SUPPLEMENTARY RESEARCH
-REVIEW TENANT FILE FOLDERS
-INTERVIEW ASSIGNED AGENTS
-CONTACT TENANT, IF NEEDED
INPUT DATA
COMPLETE STATISTICAL ANALYSIS
PROPORTION OF LEASING ACTIVITY RESULTING FROM RELOCATION FROM CENTRAL AREA
AGGREGATE VACANCY CREATED IN FORMER PREMISES
DURATION OF VACANCY
OTHER STATISTICAL ANALYSIS


INPUT DATA
ISOLATE CASES INVOLVING RELOCATION WITHIN THE CENTRAL CORE
COMPLETE STATISTICAL ANALYSIS
NATURE OF BUSINESS OPERATION
RENTABLE FLOOR AREA OCCUPIED
FLOOR SPACE PER WORKER
REASON FOR RELOCATING

PHASE THREE

OFFICE MARKET OVERVIEW
AND CONCLUSIONS STEMMING FROM PHASES ONE AND TWO

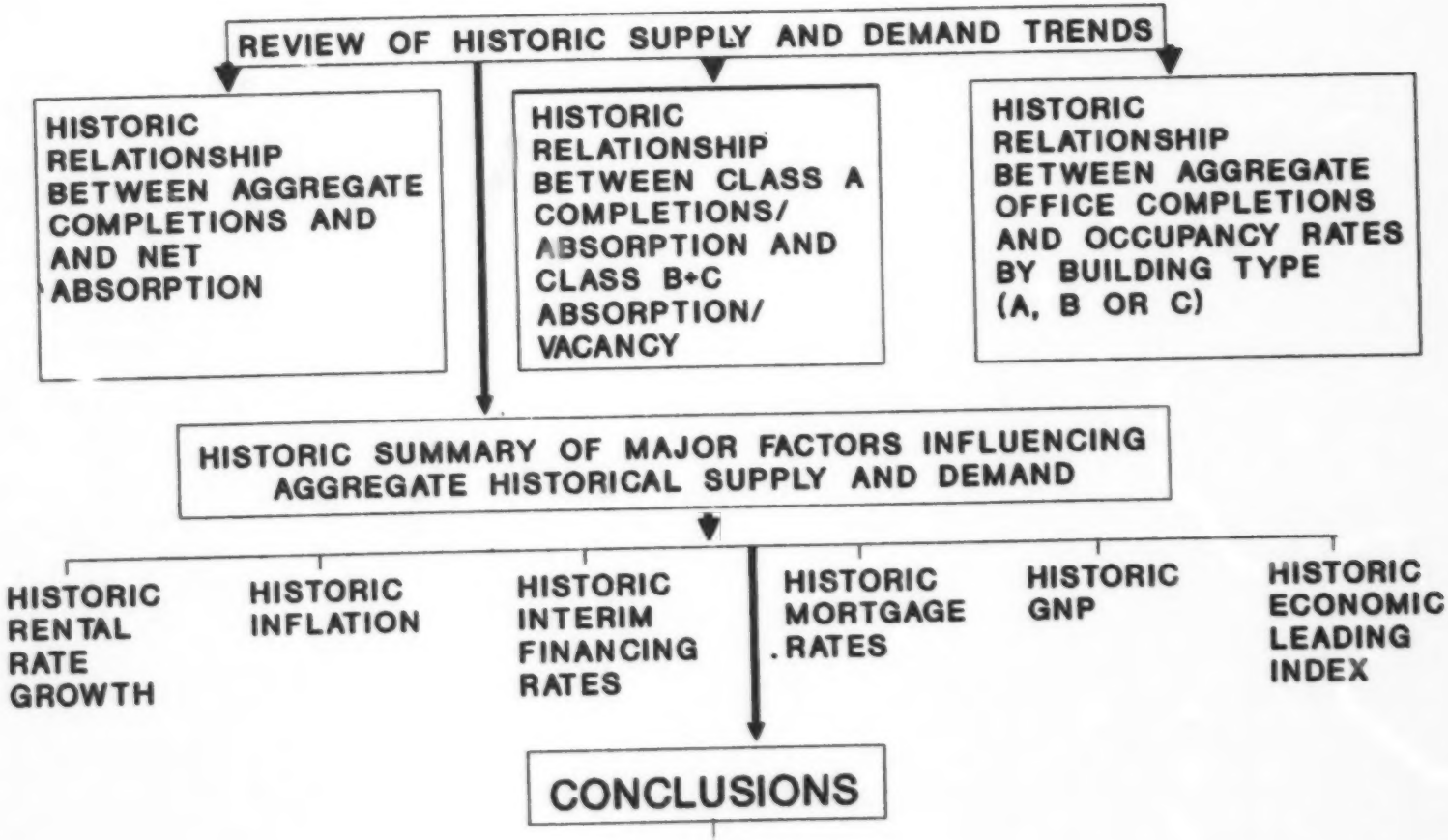

REVIEW OF HISTORIC SUPPLY AND DEMAND TRENDS
HISTORIC RELATIONSHIP BETWEEN AGGREGATE COMPLETIONS AND AND NET ABSORPTION
HISTORIC RELATIONSHIP BETWEEN CLASS A COMPLETIONS/ ABSORPTION AND CLASS B+C ABSORPTION/ VACANCY
HISTORIC RELATIONSHIP BETWEEN AGGREGATE OFFICE COMPLETIONS AND OCCUPANCY RATES BY BUILDING TYPE (A, B OR C)
HISTORIC SUMMARY OF MAJOR FACTORS INFLUENCING AGGREGATE HISTORICAL SUPPLY AND DEMAND
HISTORIC RENTAL RATE GROWTH
HISTORIC INFLATION
HISTORIC INTERIM FINANCING RATES
HISTORIC MORTGAGE RATES
HISTORIC GNP
HISTORIC ECONOMIC LEADING INDEX
CONCLUSIONS

EXHIBIT 2

SUGGESTED DATA BASE ENTRY FORM

Building No.: _____

Building Name: _____

Building Address: _____

Total Rentable Area: _____ (Square Feet)

Building Class: _____ (A, B or C)

Building Completion Date: _____ (Month/Day/Year)

Tenant Number: _____

Tenant Name: _____

Tenant Rentable Area: _____ (Square Feet)

Tenant Occupancy Date: _____ (Month/Day/Year)

Business Activity Code: _____

Number of Part-Time Employees: _____

Number of Full-Time Employees: _____

Reason for Moving: _____ _____ _____
Primary Secondary Tertiary

Former Tenant Location:

Central Core Location? _____ (Y/N)

Building Address _____

Building Class _____ (A, B or C)

Space Occupied) _____

Disposition of Former Space _____

If Space Sublet, Number of Months Require to Sub-Lease _____

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